

Reference Number: 200-12-DD

Title of Document: Management of Funds for Individuals Participating in Community Residential Programs

Date of Issue: June 30, 1992
Effective Date: June 30, 1992
Last Review Date: August 14, 2009 **(REVISED)**
Date of Last Revision: August 14, 2009

Applicability: All Contracted Service Providers of Residential Services for the South Carolina Department of Disabilities and Special Needs (SCDDSN), Regional Finance Offices

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I. PURPOSE

This purpose of this directive is to state the policies and procedures for protecting the financial interests of individuals with mental retardation, autism, head and spinal cord injuries or related disabilities who receive residential services from SCDDSN. Providers should assist with money management and promote normalization in the use of money to the extent of each person's capability. Providers are responsible for the funds entrusted to them and therefore must ensure that financial records are properly maintained and that funds are safe-guarded and properly spent.

Unless specifically stated otherwise, future use of the terms "funds" and "personal funds" in this document refers to the funds that belong to the individuals living in the types of residential programs listed below.

II. APPLICABILITY

This document applies to all county disabilities and special needs boards and all other entities providing the following community residential programs through contracts funded either directly or indirectly by SCDDSN:

- Intermediate Care Facilities for the Mentally Retarded (ICFs/MR)
- Supervised Living Programs I and II
- Community Training Homes I and II
- Community Residential Care Facilities

This directive also applies to regional finance offices in charge of managing funds for the individuals living in ICFs/MR operated by SCDDSN. In this document, all of the above will be collectively referred to as "providers".

III. CUSTODY OF PERSONAL FUNDS

Except where assessment of an individual's financial skills clearly demonstrates the cognitive ability to manage his or her own funds and financial affairs, the funds should be managed under the direction of the provider. Providers are charged with managing personal funds in accordance with individual financial plans as established by each person's program team. A financial plan is an annual personal budget that addresses all expected income and other known resources, all expected financial obligations/other expenditures and necessary accumulations of resources to address long term (greater than one year) financial goals.

IV. FINANCIAL RIGHTS

The individuals participating in SCDDSN residential programs have the following rights:

- To be notified of all fees charged by a residential provider.
- To be notified of any items considered to be his or her financial responsibility in addition to any known fees.
- To have a known minimum amount of monthly income that is to be made available for personal spending prior to payment of residential fees or other charges.
- To have funds safeguarded against theft or misuse by provider staff.
- To have reasonable access to personal funds.
- To have funds managed in a way that will not jeopardize their Medicaid eligibility or other governmental benefits.
- To receive a complete accounting of their personal funds at least quarterly.

During a person's admittance to a residential program, he or she should be informed of his or her financial rights by a service coordinator or other provider staff member. Documentation that those rights have been explained should be kept in the person's permanent file. Financial rights should be explained to a person's parent, guardian, next of kin, sponsoring agency or representative when:

- (a) The program team suspects the person is mentally incapable of understanding his or her rights or
- (b) The person has been adjudicated incompetent in accordance with state law.

Note: Both the above situations require appropriate documentation in the person's permanent file.

V. FINANCIAL MANAGEMENT

Providers are responsible for the design and implementation of procedures sufficient to achieve the objectives stated in this directive. The following principles should be incorporated into provider systems for management of personal funds: (Provider staff members are responsible for adherence to these principles.)

1. Provider staff should adhere to each person's established financial plan. The financial plan is developed as part of an overall program plan for the person and it must be included or referenced as required by residential standards.
2. Personal funds must not be borrowed by the provider or loaned to another person for any purpose. Personal funds must not be combined or co-mingled in any way with provider/DDSN operating funds or funds that belong to provider staff.
3. Generally, personal funds should not be used to pay the cost of staff expenses except to the extent that established fees for services are used to cover provider or DDSN operating costs. Only under extraordinary and well defined circumstances (i.e., when special arrangements are made at a person's plan meeting) should staff expenses be paid using a person's personal funds. Each provider should develop and document a policy addressing such occasions when staff expenses may be paid from a person's personal funds. Documentation of the decision to use personal funds and all supporting papers and receipts must be kept in the person's permanent file.
4. Provider staff members who have direct access to accounts containing personal funds must have sufficient financial skills to properly maintain the financial records.
5. Reconciliations of accounts containing personal funds should be assigned to a provider staff member with sufficient financial skills to accurately reconcile the accounts. The staff member must not have authorization to sign documents on the accounts.
6. A review of all account records must be done at least quarterly by a provider staff member with (1) sufficient knowledge of each person's financial needs and the ability to determine the reasonableness of expenditures and (2) no day-to-day responsibility for assisting with expenditures.
7. Documentation of all uses of personal funds must be maintained in a manner sufficient to demonstrate the spending amounts and purposes of all expenditures and the amounts and sources of all income.
8. For providers who choose to manage personal funds in a collective account, the collective account must be supported by a system of record keeping sufficient to establish a separate sub-account for each person with funds in the collective account and to allocate a pro-rata share of any interest earned to each sub-account within the collective account. People with personal funds in the collective account should not be charged bank fees associated

with the account. Note: Providers must obtain approval from the DDSN Director of Finance to operate a collective account.

9. For individuals receiving benefits from other governmental agencies (such as the Social Security Administration), personal funds must be managed within the regulations of those governmental agencies.
10. Direct deposit of governmental benefits should be made available.
11. Provider staff (other than CTH I caregivers) with access to personal funds must be bonded at a rate of 1½ times the amount of the personal funds for which they are responsible.

Additional Requirements Applicable to ICF/MR Providers only:

For residential providers who enter into ICF/MR contracts with DDSN, DDSN retains certain responsibilities with regard to fees (referred to as care and maintenance fees) and individual income determinations for personal funds use. Specifically, DDSN coordinates and complies with all of the following requirements:

- Reporting income/resources to DHHS offices to maintain Medicaid eligibility.
- Reporting to DHHS to establish Medicaid participation in the cost of ICF/MR care.
- Monthly billings to Medicaid for ICF/MR residential care.
- Monthly billings to responsible parties for a person's portion of monthly care and maintenance fees.

To fulfill the above requirements DDSN must have complete knowledge on a monthly basis of all income and remaining resources of each individual receiving residential services from ICFs/MR operated by contract with DDSN. Obtaining this information requires coordination between the ICF/MR provider and the associated DDSN regional center. This coordination may be accomplished in one of two ways: (1) through an imprest account or (2) the alternate method.

1. Imprest Account

In this method, all funds for persons in residential ICF/MR programs flow through the Regional Bank managed by DDSN's regional finance offices. Upon admission, the Regional Bank sends to a provider a small amount, \$200 or less, to be used for the day-to-day financial needs of a person. The funds should be deposited into an account that's managed as other residential funds are, according to the requirements listed above. This type of account is called an imprest account. As funds are used, the provider reports to the regional finance office the details for each expenditure and requests reimbursement for the total. The Regional Bank records the total of actual expenditures and processes reimbursement. Monthly care and maintenance fees are paid directly from the Regional Bank. Major purchases are paid directly from the Regional Bank. All funds, including governmental benefits paid to a person, are deposited in the Regional Bank. The only deposits that are made to an imprest account are reimbursements received from the Regional Bank.

By following the imprest account procedures, the Regional Bank has complete information on a person's income, expenditures and resource balances.

2. Alternate Method

In this method, the Regional Bank coordinates receipt of governmental benefits, wages and other receipts that are considered "recurring income". The Regional Bank records all benefits and recurring income received and pays monthly care and maintenance. Any balances remaining after the payment of care and maintenance are sent directly to the

residential provider. All other income and expenses are managed directly by the provider. On a monthly basis, the provider submits a report of all expenditures and current cash balances to the associated regional center. The regional finance office then combines the provider's information with recorded Regional Bank activity to get complete information on a person's income, expenditures and resource balances.

The use of the alternate method requires approval by the associated regional finance office. The regional finance office should consider and grant approval on a provider-by-provider basis. At any time the regional finance office determines that the information obtained from the provider under this method is not received timely, is incomplete or inaccurate, the approval may be revoked. If approval is revoked, the provider must immediately return to the imprest account method.

In both methods described above, accounts must be managed according to the requirements outlined at the beginning of Section V. Financial Management.

VI. CASH ON HAND

As part of the development of a financial plan for a person participating in a residential program, the person, with the help of his or her program team, should determine a reasonable amount of funds per week that he or she may spend through cash purchases (called a "weekly spending allowance") and a reasonable amount of cash to have on hand. Cash on hand includes cash held by residential staff for a person in the residence plus cash actually held by the person. Unless supported programmatically and documented in a person's financial plan, cash on hand should not exceed \$50.

A system of record keeping should be in place to account for all cash on hand held by residential staff. The records must be sufficient to show at any time the amount of cash held that belongs to each person and all additions to and uses of the cash. An actual counting of all cash held by staff should be done monthly by someone who does not have authority to receive or disburse cash. That count should agree to the records and be appropriately documented.

VII. DEATH

A. Personal Funds

Should a person pass away while participating in a residential program at DDSN, all funds held or managed by providers or regional finance offices should be frozen. No disbursements, except reasonable funeral expenses and any pro-rated care and maintenance charges or outstanding bills, should be made without the approval of the probate court in the county of legal residence. Usually, the county of legal residence is the county where the person was receiving residential services.

B. Notification of Death

Within ten (10) calendar days of the date of death, providers or regional finance offices should send a notice of death in writing to the probate judge of the county in which the residence is located unless prohibited by the judge. In this case, the parents/guardian or next of kin should notify the court. A copy of the death notification should be sent to the parents/guardian or next of kin, the financial representative and the service coordinator. If the person owned property in other counties or states, the probate judges in those counties or states must also be notified.

The notification of death should contain all of the following information:

- (1) A complete financial accounting and listing of the decedent's assets and known liabilities (funds owed to the provider should be included under liabilities),
- (2) The name and address of the parents/guardians or next of kin,
- (3) The name and address of the personal representative, if known, and
- (4) A request for legal authorization to disburse from the decedent's personal funds.

After notification of the probate court, and after reasonable funeral expenses and any pro-rated care and maintenance fees or other outstanding bills have been paid, the remaining funds may be disbursed only as directed by the probate court. Any leftover balance shall remain in the estate of the decedent for five (5) years before being forwarded to the unclaimed property division of the State Treasurer's Office.

VIII. TRANSFER OR DISCHARGE OF A PERSON

Within ten (10) business days of the transfer or discharge of a person participating in a residential program, a check from the person's personal funds account and a copy of his or her most current financial statement should be forwarded to the new residence. The amount of the check should be determined by his or her program team and should be enough to cover anticipated living expenses until the change in Representative Payee status is completed (approximately 2 to 3 months). The balance of the person's conserved funds remaining after these expenses and any anticipated expenses yet to be paid associated with the old residence have been determined, the balance leftover should be returned to the Social Security Administration for forwarding to the new Representative Payee. All outstanding liabilities/bills should be settled or paid within 60 days after transfer or discharge.

IX. PROCEDURES AND FORMS

Providers must develop and implement procedures and forms that meet the principles and objectives outlined in this directive. Attached to this directive are examples of forms that providers may use for guidance. Providers may use these forms, develop new ones or combine the two as long as the procedures actually implemented conform to the principles and objectives of this directive.

Deputy State Director, Administration
(Originator)

State Director
(Approved)

RELATED DIRECTIVES:

604-01-DD Individual Clothing and Personal Property

ATTACHMENTS:

- A. REQUIRED PROCEDURES FOR PERSONAL FUNDS
ACCOUNTS MANAGED BY RESIDENTIAL PROVIDERS
- B. REQUIRED PROCEDURES FOR COLLECTIVE
PERSONAL FUNDS ACCOUNTS MANAGED BY
RESIDENTIAL PROVIDERS
- C. SAMPLE FORMS:
 - #C-1 STATEMENT OF FINANCIAL RIGHTS
 - #C-2 FEE SCHEDULE
 - #C-3 STATEMENT FINANCIAL RESPONSIBILITY
 - #C-4 APPLICATION FOR BENEFITS AND
MANAGEMENT OF FUNDS AUTHORIZATION
- D. QUESTIONS AND ANSWERS ON MANAGEMENT OF
FUNDS

**REQUIRED PROCEDURES FOR PERSONAL FUNDS ACCOUNTS
MANAGED BY RESIDENTIAL PROVIDERS.**

1. Establish a separate checking account for each person's personal funds.
2. Ensure the name on the account clearly indicates that it is for the benefit of a specific person. (Examples: "ABC County DSN Board, Representative Payee for John Smith" or "John Smith by ABC County DSN Board, Representative Payee".) Do not use "in care of".
3. Ask the bank to either return cancelled checks with monthly bank statements or provide a method to obtain copies of cancelled checks when needed at no additional cost or a very minimal cost. If imaged check copies are used in place of cancelled checks, ask the bank to return images of both sides of checks (front and back) with the monthly bank statements.
4. Seek to minimize costs associated with a bank account, and ensure that each person can reasonably afford the costs.
5. Ask the persons for whom your organization manages personal funds to sign the checks written on their accounts (in addition to any legally authorized signature.)
6. Ensure there is at least two staff (in addition to the person) authorized to sign checks on the account. Note: If a person is capable of managing his or her own money, the account should be in the person's name and he or she should be the only authorized signer. (The provider would not need to manage this person's money.)
7. Keep a bank signature card copy for each person in the permanent files.
8. Purchase items by check from the person's account to ensure accountability. Also, write his or her name and check number (if paid for by check) on the receipt. Smaller purchases may be made with cash from spending allowances or cash on hand.
9. Require staff to complete a Request for Purchase form for all purchases excluding normally budgeted items such as groceries, utility bills, etc. or purchases from weekly spending allowances. The *Request for Purchase* should have a field to indicate if a check is needed or if approval to charge a purchase is requested.
10. Never write a check payable to cash or to any staff member unless expressly stated in a person's plan. Documentation/copies should be kept in the permanent file.
11. Make all appropriate checking account deposits within five (5) business days of receipt. Any savings account deposits should be made by check written from the checking account to ensure that all transactions are properly documented.
12. When available, use the automatic deposit option for Social Security, Supplemental Security Income, Veterans Administration benefits or other unearned income. Note: When direct deposits are scheduled, routine follow-up should be done to verify the date and the amount of the deposit. Checkbook registers/ledgers should always be updated in a timely manner.

13. Providers should write checks or request automatic bank draft options on personal funds accounts to cover allowable/stated fees for service.
14. Reconcile all bank statements to current checkbook/ledger balances within twenty (20) business days of receipt. Providers should assign bank reconciliation responsibilities to a staff member who is not an authorized signer on any personal funds account. After reconciliation, notate the following statement on the front page of the bank statement: "*Reconciled on (Date) by (reconciler's signature)*". If the account is out of balance by more than \$5 and the problem is not identified and corrected within ten (10) business days, notification should be sent to the provider's executive director. If the problem cannot be resolved and the amount is in excess of \$20.00, the executive director should seek assistance from the DDSN Director of Finance.
15. Review and attach all cancelled checks, deposit slips, pay check stubs or employer summaries and receipts to the monthly bank statement (names and check numbers should be recorded on all receipts for purchases made by check.) Bank reconciliations and all attached documentation should be retained for at least six years following the end of a contract period or if an audit exception is found, until resolution of the audit. In the case of an audit exception, the audit team should indicate when retention of the statements is no longer required.
16. Accept Request for Purchase forms during regular business hours. Requesters should be notified of approval or denial to purchase by the end of the next business day.
17. Record all account transactions in each person's checkbook register/ledger in a timely manner. Supply monthly reports of all account activity to each person with a personal funds account managed by your organization.

ATTACHMENT B

**REQUIRED PROCEDURES FOR COLLECTIVE PERSONAL FUNDS
ACCOUNTS MANAGED BY RESIDENTIAL PROVIDERS.**

1. Establish a separate checking account from all other checking accounts maintained by your organization. Ensure the name of the account clearly indicates the account is for the management of personal funds. (Example: *“ABC County DSN Board: Personal Funds Account”*).
2. Ask the bank to either return cancelled checks with monthly bank statements or provide a method to obtain copies of cancelled checks when needed at no additional cost or a very minimal cost. If imaged check copies are used in place of cancelled checks, ask the bank to return images of both sides of checks (front and back) with the monthly bank statements.
3. Establish the account so no costs are transferred to the persons whose personal funds are managed in the account.
4. Maintain proper accounting records to explain all activity in a collective account. The records should document the actual cash balance and all deposits made/checks written.
5. Establish a set of ledgers or sub-accounts to support the main account. Persons whose personal funds are maintained in the main account should have their ledger or sub-account notated with their last name, initial, and the last 4 digits of their social security number. (Example: *Smith, J., XXX-XX-1234.*)
6. Authorize two members of the finance or administrative staff to sign checks on the collective account. Note: If a person is capable of managing his or her money, a separate personal checking account should be established in his or her name. (The provider would not need to manage this person’s personal funds.)
7. Purchase items by check from the person’s account to ensure accountability. Also, write his or her name and check number (if paid for by check) on the receipt. Smaller purchases may be made with cash from spending allowances or cash-on-hand.
8. Require staff to complete a Request for Purchase form for all purchases except normally budgeted items such as groceries, utility bills, etc. or weekly spending allowance purchases. The Request for Purchase should have a field to indicate if a check is needed or if approval to charge a purchase is requested.
9. Never write a check payable to cash or to any staff member unless expressly stated in a person’s plan. Documentation copies should be kept in the permanent file
10. Make all deposits within five (5) business days of receipt of the funds.
11. When available, use the automatic deposit option for Social Security, Supplemental Security Income, Veterans Administration benefits or other unearned income. Note: When direct deposits are scheduled, routine follow-up should be done to verify the date and the amount of the deposit. Ledgers or sub-account records should always be updated in a timely manner.

12. Providers should write checks or request bank draft options to cover allowable/stated fees for service.
13. Reconcile bank statements to current ledger balances within twenty (20) business days of receipt. Providers should assign bank reconciliation responsibilities to a staff member who is not an authorized signer on the account. After reconciliation, notate the following statement on the front of the bank statement: "*Reconciled on (Date) by (reconciler's signature)*". If the account is out of balance by more than \$5 and the problem is not identified and corrected within ten (10) business days, notification should be sent to the provider's executive director. If the problem cannot be resolved and the amount is in excess of \$20.00, the executive director should seek assistance from the DDSN Director of Finance.
14. Maintain a record keeping system that will allow checks to be traced to supporting Request for Purchase forms and all deposits to be traced to supporting validated deposit slips. Supporting documentation for all transactions should be identified to the sub-account. All receipts for purchases made by check should have the person's name and check number written on it. Providers should retain bank reconciliations and receipts on file for at least six (6) years following the end of a contract period or if an audit exception is found, until resolution of the audit. In the case of an audit exception, the audit team should indicate when retention of the statements is no longer required.
15. Accept Request for Purchase forms during regular business hours. Requesters should be notified of approval or denial to purchase by the end of the next business day.
16. Record all account transactions in each subaccount record/register in a timely manner. Supply monthly reports of all account activity to each person with personal funds managed by your organization.

SAMPLE FORMS

TITLE

Statement of Financial Rights

#C-1

Fee Schedule

#C-2

Statement of Financial Responsibilities

#C-3

Application for Benefits and Management of Funds Authorization

#C-4

DRAFT

**STATEMENT OF FINANCIAL RIGHTS
(FOR RECIPIENTS OF RESIDENTIAL SERVICES)**

As a recipient of residential services from the (Provider), you are entitled to certain financial rights and protections to include the following:

1. The right to retain and manage your own personal funds, or assign that responsibility to a legal guardian/designate or authorize (Provider) in writing to hold, safeguard and properly manage your personal funds. Except in cases where alternative financial arrangements have been made, you are requested to entrust all personal funds to (Provider). A complete financial statement is required.
2. The (Provider) shall hold, safeguard and properly manage your personal funds only upon written authorization by you, your parent/guardian/other responsible party or upon appointment as your Representative Payee. Should you become incapable of managing your own personal funds at any time, the (Provider) shall apply for Representative Payee status on your behalf.
3. The right to not be charged additional costs by (Provider) to hold, safeguard and properly account for your personal funds, excluding costs encompassed in (Provider's) residential fee. (Excluding fees associated with trusts.)
4. Current documentation of all financial transactions involving your personal funds for which the (Provider) is responsible, in accordance with agency policy.
5. Reasonable access to your financial records and personal funds for which the (Provider) is responsible, in accordance with agency policy.
6. Assurance that your personal funds managed by the (Provider) will be kept separate from other (Provider's) funds.
7. A written fee schedule provided by the (Provider) to inform you of any fees that will be charged for services rendered including care and maintenance.
8. A written financial responsibility statement provided by the (Provider) to inform you of any costs that will be your responsibility outside of care and maintenance.
9. A documented minimum amount of funds from your income to be made available to you each month for personal spending.
10. Reimbursement by the (Provider) for loss of personal funds due to theft or misuse by provider staff.
11. Management of your personal funds by the (Provider) in accordance with your financial plan and in a manner that will not jeopardize your eligibility for governmental aid or benefits.

The rights/services outlined in this document have been explained to me and I understand how they affect me. I have designated _____ to manage my personal financial affairs in a manner consistent with my financial plan.

Name: _____

Signature: _____ Date: _____

Witness Signature: _____ Date: _____
(Required only if the person's signature is not legible)

As parent/guardian or other responsible party, these rights and services have been explained to me and I understand how they will affect my relative/person for whom I am responsible. I understand that I am signing on his/her behalf. (If no parent/guardian/responsible party is present, a provider staff representative should sign at the bottom after completing the informed consent process.)

Name:
(Parent/Guardian
/Responsible Party) _____

Relationship:
(to the person) _____

Signature: _____ Date: _____
(Required if the person's signature cannot be obtained.)

I have explained the financial rights outlined in this document to _____ (Person) and he/she has indicated an understanding of and acceptance of these rights.

Name: (Provider
Staff Representative) _____

Title: _____

Signature: _____ Date: _____
(Required if the person's signature cannot be obtained and there is no parent/guardian/responsible party signature.)

FEE SCHEDULE
(FOR RECIPIENTS OF RESIDENTIAL SERVICES)

Listed below are fees for which you are responsible as a recipient of residential services from the (Provider). Note: Rates may be revised periodically. A new fee schedule should be provided whenever fees are revised.

<u>FEE</u>	<u>RATE</u>
	\$
	\$
	\$
	\$
	\$
	\$

Name:	_____	Residence:	_____
Signature:	_____	Date:	_____
Witness:	_____	Date:	_____
<i>(Required only if the person's signature is not legible)</i>			

Name: (Parent/Guardian /Responsible Party)	_____
Relationship: (to the person)	_____
Signature:	_____
<i>(Required if the person's signature cannot be obtained.)</i>	

<i>I have explained the above _____ (Provider) fee schedule to _____ (Person) and he/she has acknowledged responsibility for these fees.</i>	
Name: (Provider Staff Rep)	_____
Title:	_____
Signature:	_____
<i>(Required if the person's signature cannot be obtained and there is no parent/guardian/responsible party signature.)</i>	

ATTACHMENT #C-3

**STATEMENT OF FINANCIAL RESPONSIBILITIES
(FOR RECIPIENTS OF RESIDENTIAL SERVICES)**

Listed below are items for which you are financially responsible as a recipient of residential services from the _____ (Provider) _____. Note: Any items that represent a shared financial responsibility between two or more people should be so noted, and the method of determining each person's share should be documented and attached.

<u>ITEMS OF FINANCIAL RESPONSIBILITY</u>

Name: _____	Residence: _____
Signature: _____	Date: _____
Witness: _____	Date: _____
<i>(Required only if the person's signature is not legible)</i>	

Name: (Parent/Guardian /Responsible Party)	_____
Relationship: (to the Individual)	_____
Signature: _____	Date: _____
<i>(Required if the person's signature cannot be obtained.)</i>	

<i>I have explained the above _____ (Provider) _____ fee schedule to _____ (Person) _____ and he/she has acknowledged responsibility for these items.</i>	
Name: (Provider Staff Rep)	_____
Title:	_____
Signature: _____	Date: _____
<i>(Required if the person's signature cannot be obtained and there is no parent/guardian/responsible party signature)</i>	

ATTACHMENT #C-4

**APPLICATION FOR BENEFITS AND MANAGEMENT
OF FUNDS AUTHORIZATION FOR RECIPIENTS OF RESIDENTIAL SERVICES**

APPLICATION FOR BENEFITS

I hereby authorize the _____ (Provider) to research and apply for any and all financial aid/governmental benefits available to _____ (Person). The financial aid referred to in this document includes, but is not necessarily limited to, Social Security, Title XIX - Medicaid, VA Pension, Health Insurance and CHAMPUS.

MANAGEMENT OF FUNDS AUTHORIZATION

I hereby authorize the _____ (Provider) to manage personal funds which are the property of _____ (Person). Personal funds include but are not necessarily limited to benefits from the Social Security Administration, Veterans Administration, Supplemental Security Income, wages and funds sent by parents, organizations and friends.

Name: _____

Residence: _____

Signature: _____

Date: _____

Witness Signature: _____

Date: _____

(Required only if the person's signature is not legible)

Name:
(Parent/Guardian/Other
Responsible Party) _____

Relationship:
(to Individual) _____

Signature:
(Required if the person's signature cannot be obtained.)

Date: _____

Address: _____

City/State/Zip: _____

Telephone #(s): _____

Sworn by me on this _____
day of _____, _____

NOTARY PUBLIC FOR SOUTH CAROLINA

My Commission expires _____

QUESTIONS AND ANSWERS ON MANAGEMENT OF FUNDS

Following are questions frequently asked concerning this directive. This information should be useful for further understanding of this directive.

1. Would it be appropriate to develop separate directives for each of the different residential programs? (See Section II. Applicability)

The intent behind this directive is to give providers minimum guidelines for managing personal funds and to let each provider implement those guidelines in their own settings. These guidelines address the basic requirements for sound financial management of a fiduciary responsibility and they apply equally regardless of the particular residential program. Therefore, only one directive is necessary.

There is one exception, however, to the application of the basic guidelines contained in this directive and that is ICF/MR contracts. Because of DDSN's responsibility for maintaining Medicaid eligibility for the persons participating in this program, additional requirements are necessary. (See Section V. Financial Management)

2. What is a provider's responsibility for the use of personal funds when the provider is not Representative Payee for the person? (See Section III. Custody of Personal Funds)

The provider is only responsible for the personal funds which they hold. If another person is Representative Payee and has custody of a person's personal funds, the provider is not financially responsible for those funds. The provider does have a responsibility with respect to the use of a person's personal funds in that a financial plan should still be included in, attached to or referenced by his or her overall plan. Provider staff should periodically (annually at a minimum) review the financial plan and determine if it is being carried out with regard to paying provider fees, providing for identified needs as planned and maintaining eligibility for government benefits. This review should include information from the Representative Payee who has custody of the person's personal funds. The financial plan should be updated as needed. If a person owes the provider any fees, it is the provider's responsibility to bill the person or his or her Representative Payee and to follow up on collection of the fees.

3. Should it be a requirement that the provider is named Representative Payee? (See Section III. Custody of Personal Funds)

The Social Security Administration is responsible for determining Representative Payee status. Generally, Social Security approves Representative Payee status for the person and/or entity that facilitates payment being sent to a person's residence. The person or provider of services may file an appeal with Social Security for review of Representative Payee status. Providers should always appeal any time abuse of Representative Payee status is suspected.

4. Is it necessary to bond all employees who have any access to personal funds? Will the bond require significant additional expense for providers? (See Section V. Financial Management)

Yes. It is absolutely necessary to bond all employees with access to personal funds. Purchase of a bond to cover employees, if properly structured, should not cause significant additional expense and should provide coverage for all personal funds. In considering a bond purchase, two main factors should be decided: (1) the deductible amount and (2) the description of the employees to be covered.

Each provider should determine an amount of money (deductible) that they are willing to pay from their organization's funds should personal funds be misappropriated or lost. The higher a provider sets this deductible amount, the lower the cost of the bond will be. Since certain staff will have access to only a minimum amount of funds, the deductible amount may have the effect of eliminating certain staff positions from the coverage. The provider must cover all losses that do not meet the deductible amount.

When purchasing a bond, generally it is better to describe the staff positions that need coverage rather than list individual staff names. This, again, lowers the cost of the bond and also makes administration of the bond easier since no bond change has to be made when staff changes occur. In most cases it is easier, and again not costly, to obtain a blanket Dishonesty Bond coverage for all employees.

5. What are the policy safeguards to protect the interests of two or more people when financial obligations are shared? (See Section IV. Financial Rights and Attachment #C-3)

The policy safeguards in this situation are the same safeguards that cover all activities with regard to personal funds. You should have:

- An agreement among the program team members of the need to share financial obligations.
- Documentation in the financial plans of each person participating of the reasons for sharing and the method of calculating shared obligations.
- Periodic reviews of the participating persons' financial plans for compliance with regard to use of personal funds to pay shared obligations.

6. Do the checking accounts for personal funds have to include the Representative Payee's name in the account name? Should the account be a joint account? (See Attachment A)

If a person can manage his or her own funds, the account should be in that person's name. If the account is not in the person's name (due to programmatic or other reasons) and the provider is the Representative Payee, then the account should be set up in a manner that shows the fiduciary relationship of the provider to the person. The account should clearly indicate the ownership of the funds by the person. Examples of such account names are:

- ABC County DSN Board, Representative Payee for Joe Smith
- Joe Smith, by ABC County DSN Board, Representative Payee

Joint accounts with either the person, staff member or a caregiver as co-owners are strictly prohibited.

7. What is the advantage of a collective account versus individual checking accounts?
(See Attachments A and B)

The main advantage of a collective account is administrative ease. With a collective account, there is generally only one bank account to reconcile instead of many. This can represent a significant staff time-savings, especially when residential staff may not be well practiced with bank reconciliations. A collective account may have some advantages in interest earnings since many small balances are accumulated into one larger balance.

The main advantage of personal checking accounts is programmatic. These accounts are the most normal, least restrictive way of doing business. They also provide the opportunity for persons to learn how to handle banking and money matters in the community.

Some argue that collective accounts give greater financial control over personal funds by not allowing residential or program staff direct access to funds. With either collective or individual accounts, it is the residential or program staff who authorize the expenditure of personal funds and those staff have the responsibility of using funds in accordance with the financial plan. Only the authorization documentation is different. (For a personal bank account, a check is used, and for a collective account, a document that takes the place of a check is be used.)

8. How can a provider make sure that a person does not use all of his or her funds and not have sufficient funds to pay the fees due the provider? (See Section V. Financial Management)

A person's program plan should have attached or make direct reference to a financial plan that if followed, would ensure that provider fees are paid. The residential staff responsible for implementation of this financial plan must ensure that it is being followed. Any financial issues addressed in the financial plan should be monitored by the plan manager. When the financial plan is not followed, it must be addressed the same as any other life skills problem. A plan to change the behavior should be developed and implemented.

9. Why are regional bank accounts necessary for ICF/MR facilities? (See Section V. Financial Management)

Regional bank accounts and community accounts funded on an imprest basis are used to facilitate the management of Medicaid eligibility. In order to maintain Medicaid eligibility for all participating persons and to do the necessary reporting of financial assets/activity, the staff has to have knowledge of a persons' entire financial activity history. The use of the combination of a regional bank account and a community account is designed to let DDSN staff manage Medicaid eligibility while allowing the persons in those residences to experience normal banking activities consistent with programmatic goals. DDSN staff continues to manage Medicaid eligibility for persons residing in ICFs/MR for two reasons: 1) cost effectiveness and 2) financial liability.

10. For contract ICFs/MR, the community account functions on an "imprest basis." What does this mean, and how does it work? (See Section V. Financial Management)

When an account is managed on an imprest basis, funds are first spent from the account and then the account is reimbursed for those expenditures. There is a certain amount of money put into the account to cover initial expenditures. After that, only reimbursements of expenditures are deposited into the account. For example, if a person had a community account set up for a maximum of \$200, \$200 would be deposited into the account when established. If during the week, the person withdrew \$20 for weekly spending money and made a purchase of clothes for \$75, the account balance would decrease to \$105. A request for \$95 would be sent to the regional bank along with documentation showing how the \$95 had been spent. The regional bank would then reimburse the community account the \$95, bringing the community account balance to \$200 again.

11. How much cash should be kept on hand in a residence? Under what procedure does cash get to be on hand in a residence? (See Section VI. Cash on Hand)

Section VI. Cash on Hand states that the amount of cash a person may have on hand should be determined on an individual basis and stated in his or her financial plan. The maximum is \$50, unless an exception is programmatically supported in his or her financial plan. The \$50 maximum applies to the total amount of cash held both by the person and staff on his or her behalf at the residence.

A person receives cash on hand through his or her weekly spending allowance. The amount of cash drawn as a weekly spending allowance should be stated in his or her financial plan. A person may draw the full weekly allowance each week unless the full draw would cause the cash on hand to exceed the stated maximum for that person.

The maximum amount that should be on hand in any residence would be the total sum of the maximums for the persons living in that residence.

EXAMPLES:

Total Cash on Hand in a Residence: In Residence 1 there are four residents. Residents A, B and C each have individual cash on hand maximums of \$50. Resident D has a cash on hand maximum of \$40. The greatest amount of cash that could be on hand in that residence would be \$190 ($\$50 + \$50 + \$50 + \40). In counting all cash on hand, the cash in each resident's possession and the possession of staff on her or her behalf should be totaled. So, if Resident A had \$10, Resident B had \$5.50, Residents C and D had no cash and the staff had cash in envelopes or a box belonging to the residents that totaled \$130, Residence 1 would have \$145.50 cash on hand and would therefore be within the maximum allowable. If, however, the cash held by the staff was \$185, the total cash on hand would be \$200.50 and the maximum allowable would be exceeded.

Individual Cash on Hand: In the previous example where the staff held \$130.00, if \$50 of that belonged to Resident A, then Resident A would have a total of \$60 on hand (the \$10 he held plus \$50 held by the staff). This would exceed his maximum of \$50 stated in his/her financial plan. However, if of the \$130, \$35 belonged to Resident A, his or her total cash on hand would be \$45 and would therefore be within the personal maximum limit.

Draws of Weekly Spending Allowance: Assume that a person has a weekly spending amount of \$25 and a maximum amount on hand of \$45. (Both amounts should be stated in his/her financial plan.) At the beginning of week 1 he/she has a total of \$5 on hand so the full weekly spending amount of \$25 may be drawn. If during week 1 he or she draws \$25 in cash and spends \$23, then at the beginning of week 2, he or she has \$7 on hand ($\$5 + \$25 - \23). If during week 2 he or she draws \$25 and spends \$10, then at the beginning of week 3 he or she would have \$22 cash on hand ($\$7 + \$25 - \10). During week 3, he or she could not draw the full weekly amount of \$25 because it would cause him or her to exceed the stated maximum of \$45 ($\$22 + \$25 = \47). Problems with weekly spending draws can be managed by setting the maximums at levels the individuals can realistically spend cash on hand.

MEMORANDUM

August 17, 2009

II. TO: Official Distribution

FROM: Martin K. Taylor, CPA
Director of Finance



RE: Revision of 200-12-DD

Departmental Directive 200-12-DD, "*Management of Funds for Individuals Participating in Community Residential Programs*" has been revised to reflect changes in the DDSN service delivery system since the directive was originally issued.

The official review period for comments will end on 9/15/09. Please direct your comments, if any, to me by one of the means of communication listed below:

E-Mail
mtaylor@ddsn.sc.gov

Mailing Address
Martin Taylor
Director of Finance
PO Box 4706
Columbia, SC 29240

Telephone Number
(803) 898-9698

MKT/lbc

Attachment